

Motor Vehicles, 1999

By Ralph W. Morris

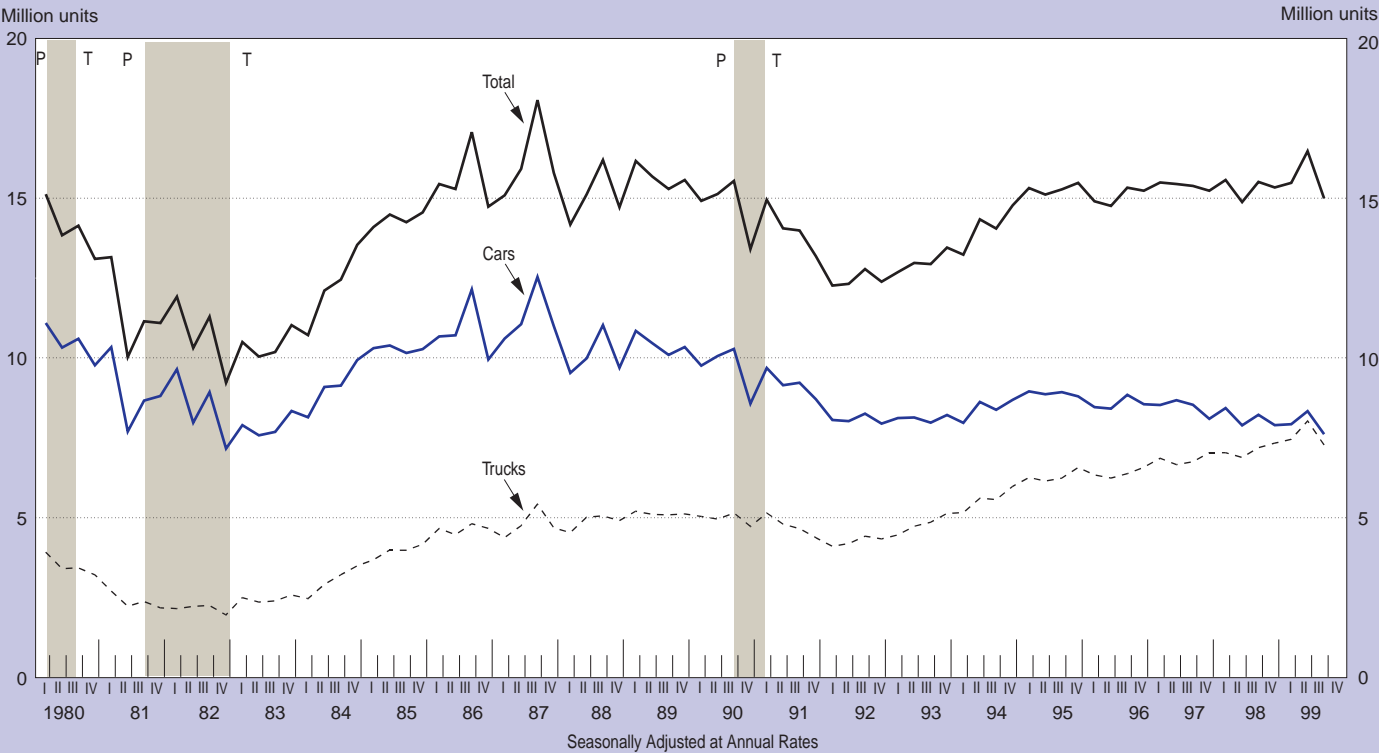
SALES of new motor vehicles in the United States totaled 17.4 million units in 1999 (chart 1 and table 1).¹ This level of sales was the highest on record; the previous high was 16.3 million units in 1986. Sales increased 9.1 percent—nearly 1.5 million units—in 1999 after increasing 3.0 percent in 1998. The sharp acceleration was accounted for by sales of both cars and trucks.

1. Sales of motor vehicles are sales of new cars and trucks. The data on unit sales, inventories, and production in this article are mainly from *Ward's Automotive Reports* and the American Automobile Manufacturers Association, Inc., and the data on prices are mainly from the Bureau of Economic Analysis (BEA). These data underlie the estimates of motor vehicle output in the national income and product accounts. The quarterly data for domestic and imported cars and light trucks are seasonally adjusted by BEA using seasonal factors from the Federal Reserve Board.

The strength in motor vehicle sales in 1999 reflected developments in a number of factors—those related to general economic conditions and those that were industry specific. Real gross domestic product (GDP) increased 4.0 percent in 1999; this rate was above the 3.6-percent average annual growth rate for real GDP over the current expansion, which began in the second quarter of 1991. Many of the measures that are usually considered in analyses of consumer spending strengthened in 1999. The unemployment rate decreased for the seventh consecutive year, moving down from 4.5 percent in 1998 to 4.2 percent—the lowest rate in nearly 30 years.

CHART 1

New Motor Vehicle Sales



Note—Peak (P) indicates the end of business cycle expansion and the beginning of recession (shaded area). Trough (T) indicates the end of business cycle recession and the beginning of expansion. Business cycle peaks and troughs designated by the National Bureau of Economic Research, Inc.
Data: American Automobile Manufacturers Association, Inc. and *Ward's Automotive Reports*, seasonally adjusted by BEA.

Real disposable personal income (DPI) increased 4.0 percent in 1999; this rate was above the 3.0-percent average growth rate for real DPI over the current expansion. The Index of Consumer Sentiment (a measure of consumer attitudes and expectations prepared by the University of Michigan's Survey Research Center) increased to its highest level in 40 years. In addition, consumer spending may have been stimulated in recent years by the considerable additions in household wealth that have resulted from rising equity prices and from gains in real estate values.

Several factors specific to the motor vehicle industry also helped to boost sales. First, manufacturers offered sales-incentive programs to consumers throughout the year. These incentives included rebates, below-market-rate financing, and discount packages on options on selected models. Second, the consumer price index (CPI) for new cars decreased 1.2 percent in 1999 after decreasing 0.9 percent in 1998, and the CPI for new trucks increased only 0.9 percent after decreasing 0.4 percent.² These price changes reflected both the extensive sales-incentive programs and ongoing efforts by manufacturers to hold down production costs. Third, finance terms on new-vehicle loans remained favor-

able in 1999. Interest rates on new-car loans made by commercial banks averaged 8.4 percent, down from 8.8 percent in 1998, and rates on new-car loans made by motor vehicle finance companies averaged 6.7 percent, up from 6.3 percent (chart 2). (The rates at motor vehicle finance companies may partly reflect manufacturers' sales-incentive programs.) In addition, the average length to maturity of new-car loans made by the finance companies increased to 52.7 months from 52.1 months. (Longer term loans tend to increase sales to marginal buyers because monthly payments are reduced.)

The combined sales of cars and light trucks increased to 16.8 million units in 1999; sales were 12.5 million units in 1991, the year the current expansion began (chart 3).³ Sales increased 8.6 percent in 1999 after increasing 2.5 percent in 1998; sales of both cars and light trucks contributed to the 1999 increase. The combined sales of domestic cars and light domestic trucks increased 6.5 percent after increasing 2.2 percent.⁴ The combined sales of imported cars and light imported trucks increased 22.6 percent after increasing 4.5 percent; their share of total car and

2. The Bureau of Labor Statistics (BLS) calculates the CPI. Effective with the release of the January 1999 data, the CPI for new cars and for new trucks is no longer adjusted for changes in vehicles that are made in response to air pollution mandates. For an explanation of this change in treatment and the implications for the CPI, see "The Treatment of Mandated Pollution Control Measures in the CPI" on the BLS Internet site at <www.bls.gov/cpihe00.htm> or contact the BLS.

3. Light trucks have a gross vehicle weight of up to 10,000 pounds; these trucks include light conventional pickups, compact pickups, sport-utility vehicles, and passenger vans.

4. Sales of domestic vehicles consist of the sales in the United States of vehicles manufactured in North America—that is, in Canada, the United States, and Mexico. Sales of imported vehicles consist of vehicles manufactured outside North America and sold in the United States.

Table 1.—Selected Motor Vehicle Indicators

	1992	1993	1994	1995	1996	1997	1998	1999	Seasonally adjusted at annual rates				
									1998	1999			
										IV	I	II	III	IV
	Thousands of units												
New motor vehicle sales	13,118	14,199	15,413	15,118	15,456	15,498	15,963	17,414	16,549	16,877	17,365	17,816	17,570
New-car sales	8,214	8,518	8,990	8,636	8,527	8,273	8,142	8,697	8,293	8,401	8,773	8,813	8,793
Domestic	6,277	6,734	7,255	7,129	7,254	6,906	6,764	6,982	6,885	6,889	7,078	7,102	6,835
Import	1,938	1,784	1,735	1,507	1,273	1,366	1,378	1,715	1,408	1,512	1,695	1,711	1,957
New-truck sales	4,903	5,681	6,422	6,481	6,929	7,226	7,821	8,717	8,256	8,476	8,592	9,003	8,777
Light	4,629	5,346	6,034	6,053	6,519	6,797	7,297	8,072	7,663	7,847	7,970	8,348	8,099
Domestic	4,233	4,981	5,638	5,663	6,088	6,226	6,651	7,310	6,941	7,100	7,246	7,608	7,254
Import	396	365	396	391	431	571	646	763	721	747	724	740	846
Other	275	336	388	428	411	429	524	645	593	629	622	655	678
Domestic-car production	5,666	5,979	6,614	6,350	6,080	5,927	5,547	5,641	5,813	5,599	5,451	5,854	5,658
Domestic-car inventories ¹ .....	.....	.....	.....	.....	.....	.....	.....	.....	1,288	1,303	1,214	1,251	1,291
Domestic-car inventory-sales ratio ² .....	.....	.....	.....	.....	.....	.....	.....	.....	2.25	2.27	2.06	2.11	2.27
	Dollars												
Average expenditure per new car ³	16,336	16,871	17,903	17,959	18,777	19,551	20,849	21,022	21,257	20,720	20,898	21,049	21,420
Domestic	15,644	15,976	16,930	16,864	17,468	17,838	18,579	18,725	18,885	18,609	18,648	18,855	18,787
Import	18,593	20,261	21,989	23,202	26,205	28,193	31,986	30,350	32,849	30,339	30,291	30,154	30,617

1. End of quarter, not at annual rate.

2. Ratio of end-of-quarter inventories to average monthly sales for the quarter.

3. BEA estimate, using average base price and adjustments for options, transportation charges, taxes, discounts, and rebates for each model, weighted by that model's share of sales; not at annual rate.

Source: American Automobile Manufacturers Association, Inc., and Ward's Automotive Reports; data are seasonally adjusted by BEA.

light-truck sales increased to 14.8 percent from 13.1 percent.

New Cars

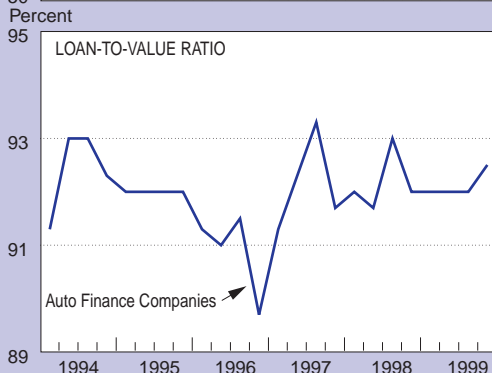
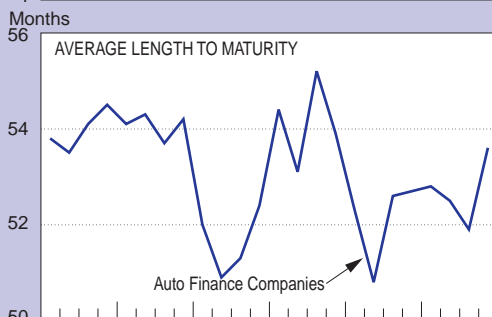
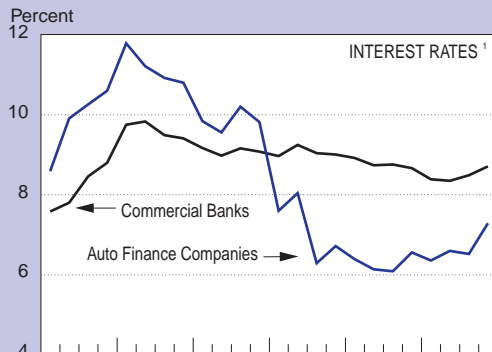
Sales of new cars increased 6.8 percent to 8.7 million units in 1999 after decreasing 1.6 percent in 1998. Sales of domestic cars and of imported cars both contributed to the turnaround. Sales of domestic cars increased 3.1 percent to 7.0 million units; sales decreased in each of the preceding 2 years. Sales of imported cars increased 24.7 percent after increasing 0.8 percent; sales of cars imported from Germany and from the Republic

of Korea increased strongly. In 1999, sales of cars imported from Japan increased; the increase interrupted a decade-long trend of decreases.

Sales of small cars remained at 2.0 million units, and their share of total car sales decreased to 23.2 percent from 24.7 percent (chart 4). Sales of middle-sized cars increased to 4.6 million, and their market share increased to 52.7 percent from 51.1 percent. Sales of large cars remained at 0.7 million, and their market share decreased to 7.6 percent from 8.2 percent. Sales of luxury cars

CHART 2

Finance Terms on 48-Month New Car Installment Loans



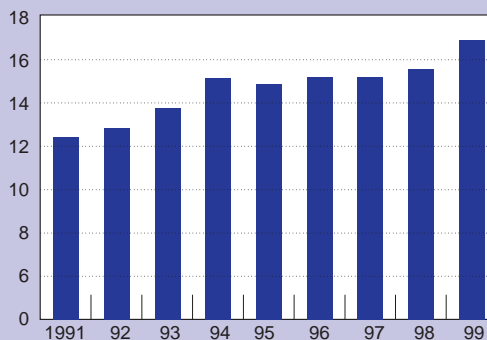
1. Most common interest rates (annual percentage rate) at reporting institutions.
Data: Federal Reserve Board.

U.S. Department of Commerce, Bureau of Economic Analysis

CHART 3

Car and Light Truck Sales

Million units

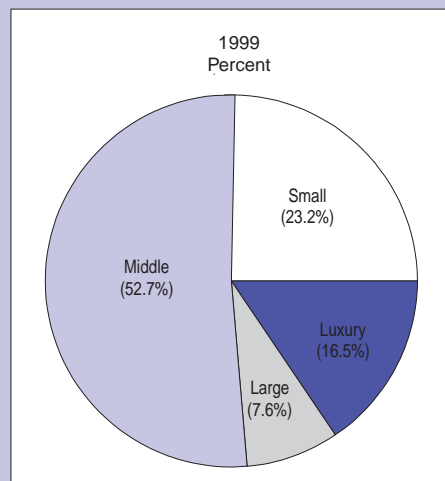


Note—Light trucks have a gross vehicle weight up to 10,000 pounds; these trucks include conventional pickups, compact pickups, and passenger vans.
Data: American Automobile Manufacturers Association, Inc. and Ward's Automotive Reports, seasonally adjusted by BEA.

U.S. Department of Commerce, Bureau of Economic Analysis

CHART 4

Share of New Car Sales by Size Class



Data: Ward's Automotive Reports

U.S. Department of Commerce, Bureau of Economic Analysis

increased to 1.4 million, and their market share increased to 16.5 percent from 16.0 percent.

The average expenditure per new car increased 0.8 percent to \$21,022 in 1999.⁵ The increase partly reflected the shift in the market toward imported cars, which have a higher average expenditure than domestic cars. Even so, the average expenditure per new car for imported cars decreased 5.1 percent to \$30,350 in 1999; the decrease was partly attributable to a shift in the composition of imported-car sales from luxury cars to small cars and middle-sized cars. For domestic cars, the average expenditure per new car increased 0.8 percent to \$18,725; the modest increase partly reflected increased sales of models equipped with extra features such as keyless remote entry, compact disk players, and side air bags.

Domestic-car production—that is, cars made in the United States—increased to 5.6 million units in 1999 after 4 consecutive years of decline.

Domestic-car inventories were 1.3 million units at the end of 1999, the same as at the end of 1998. The inventory-sales ratio was 2.3 at the end of 1999; the traditional industry target is 2.4.

5. BEA derives the average expenditure per new car by using data mainly from the Automotive Invoice Service and BLS; the measure consists of the average base price and adjustments for options, transportation charges, taxes, discounts, and rebates for each model, weighted by that model's share of sales. Movements in the average expenditure differ from movements in the new-car component of the CPI for at least two reasons: First, the average expenditure, unlike the CPI, reflects changes in the mix of models and options sold and includes cars sold to businesses and to governments, as well as cars sold to consumers; and second, because the CPI, unlike the average expenditure, is adjusted to remove the influence of quality change on prices.

Data Availability

BEA prepares seasonally adjusted estimates of auto and truck unit sales, of auto unit production and inventory change, and of average expenditure per new car. These estimates are available online by subscribing to STAT-USA/Internet, a service of the U.S. Department of Commerce; for more information, visit STAT-USA's Web site at <www.stat-usa.gov> or call 1-800-STAT-USA or 202-482-1986.

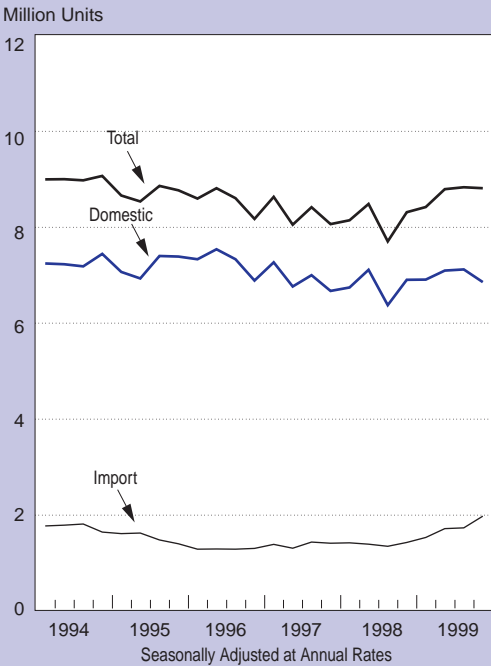
These estimates are also available monthly in printout or on diskette by monthly subscription from BEA, as follows:

- "Auto Output Printout Subscription"—product number NLS-0167, price \$108.00; or
- As part of the "NIPA Monthly Update Diskette Subscription"—product number NDS-0171, price \$204.00.

To order, call the BEA Order Desk at 1-800-704-0415 (from outside the United States, call 202-606-9666).

CHART 5

Retail Sales of New Cars



Data: American Automobile Manufacturers Association, Inc. and Ward's Automotive Reports, seasonally adjusted by BEA.
U.S. Department of Commerce, Bureau of Economic Analysis

By quarter, new-car sales increased in the first, second, and third quarters of 1999 and decreased in the fourth (chart 5).

New Trucks

Sales of new trucks increased 11.4 percent to a record 8.7 million units in 1999 after increasing 8.2 percent in 1998. Sales of light domestic trucks, light imported trucks, and "other" trucks all increased.⁶

Sales of light trucks—that is, light domestic trucks and light imported trucks—increased 10.6 percent after increasing 7.4 percent. The 1999 increase was mostly accounted for by sport-utility vehicles, but sales of pickups and vans also contributed. In recent years, the composition of truck sales has shifted toward "upscale" models, which offer more power, luxury, and options than basic models.

Sales of light domestic trucks increased 9.9 percent to 7.3 million units after increasing 6.8 percent to 6.7 million units.

Sales of imported light trucks increased 18.1 percent to 0.8 million units, and their share of

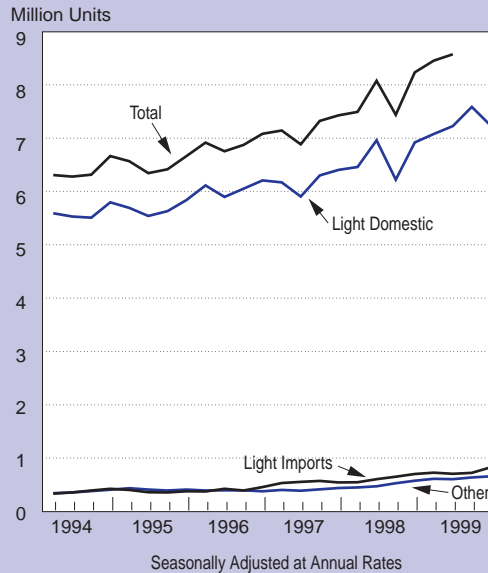
6. "Other" trucks have a gross vehicle weight of over 10,000 pounds; these trucks range from medium-duty general delivery trucks to heavy-duty diesel tractor trailers. Nearly all of these trucks are purchased by businesses.

total light-truck sales increased to 9.5 percent. The increase in sales of imported light trucks was largely accounted for by sport-utility vehicles, mainly those vehicles imported from Japan and Korea. In recent years, sales of these vehicles may have been boosted by the introduction of several new models into the small-vehicle segment of the U.S. market. In addition, sales of “upscale” imported sport-utility vehicles increased considerably. In contrast, sales of imported pickup trucks have virtually ceased, as foreign manufacturers have shifted production from overseas plants to plants in North America.

Sales of “other” trucks increased 20.0 percent to 0.6 million units after increasing 22.1 percent. The domestic share of “other” truck sales was 95.1 percent. Annual sales of “other” trucks have more than doubled since the current economic expansion began in 1991. Demand for heavy trucks has been high in recent years, partly because of the growth in spending on durable goods; these trucks are used extensively to transport goods—such as computers, machine tools, motor vehicles, and appliances—and parts for these goods. In addition, the increase in the use of “just-in-time” assembly practices has required manufacturers to ship parts more frequently.

CHART 6

Retail Sales of New Trucks



Note—Retail sales of domestic trucks are classified by gross vehicle weight as light (up to 10,000 pounds) and “other” (over 10,000 pounds). Imported trucks include imports by U.S. manufacturers. Data: American Automobile Manufacturers Association, Inc. and *Ward’s Automotive Reports*, seasonally adjusted by BEA.

U.S. Department of Commerce, Bureau of Economic Analysis

By quarter, new-truck sales increased in the first, second, and third quarters of 1999 and decreased in the fourth (chart 6). 